

IN THE IOWA DISTRICT COURT FOR POLK COUNTY

STATE OF IOWA ex rel.
THOMAS J. MILLER,
ATTORNEY GENERAL OF IOWA

Plaintiff,

v.

HYUNDAI MOTOR COMPANY;
HYUNDAI MOTOR AMERICA;
KIA MOTORS CORPORATION, INC.;
KIA MOTORS AMERICA, INC.,

Defendants.

EQUITY EQCE080756

**PETITION FOR INJUNCTIVE
AND OTHER RELIEF**

The State of Iowa ex rel. Attorney General Thomas J. Miller, acting pursuant to the authority of the Iowa Consumer Fraud Act, Iowa Code § 714.16, files this action against Defendants Hyundai Motor Corporation, Hyundai Motor America, Kia Motors Corporation, Inc., and Kia Motors America, Inc. (hereinafter collectively referred to as “Defendants” or “Hyundai”) for violating Iowa Code § 714.16, the Iowa Consumer Fraud Act (“CFA”), as follows:

JURISDICTION AND VENUE

1. The Attorney General of Iowa has the authority to initiate an action for consumer fraud in violation of Iowa Code §714.16.
2. This Court has jurisdiction over the Defendants pursuant to Iowa Code §714.16, because the Defendants transacted business within the State of Iowa at all times relevant to this Petition.
3. Iowa Code § 714.16(7), in pertinent part, authorizes the Attorney General to bring this action:

A civil action pursuant to this section shall be by equitable proceedings. If it appears to the attorney general that a person has engaged in, is engaging in, or is about to engage in a practice declared to be unlawful by this section, the attorney general may seek and obtain in an action in a district court a temporary restraining order, preliminary injunction, or permanent injunction prohibiting the person from continuing the practice or engaging in the practice or doing an act in furtherance of the practice. The court may make orders or judgments as necessary to prevent the use or employment by a person of any prohibited practices, or which are necessary to restore to any person in interest any moneys or property, real or personal, which have been acquired by means of a practice declared to be unlawful by this section, including the appointment of a receiver in cases of substantial and willful violation of this section.

In addition to the remedies otherwise provided for in this subsection, the attorney general may request and the court may impose a civil penalty not to exceed forty thousand dollars per violation against a person found by the court to have engaged in a method, act, or practice declared unlawful under this section; provided, however, a course of conduct shall not be considered to be separate and different violations merely because the conduct is repeated to more than one person. In addition, on the motion of the attorney general or its own motion, the court may impose a civil penalty of not more than five thousand dollars for each day of intentional violation of a temporary restraining order, preliminary injunction, or permanent injunction issued under authority of this section.

4. Venue is proper in Polk County, pursuant to Iowa Code § 714.16(10), because Defendants conducted business in Polk County, and one or more of the victims reside in Polk County.

PARTIES

5. Plaintiff, the State of Iowa through Attorney General Thomas J. Miller, is specifically authorized to enforce the Iowa Consumer Fraud Act, Iowa Code § 714.16. The Attorney General brings this action in connection with a multi-state investigation of the Defendant conducted by the Attorneys General of Alabama, Arizona, Arkansas, California, Colorado, Connecticut, District of Columbia, Delaware, Florida, Georgia, Iowa, Illinois, Indiana, Kansas, Kentucky, Maryland, Maine, Massachusetts, Missouri, Nebraska, New Jersey, New

Mexico, Nevada, North Carolina, Ohio, Oklahoma, Oregon, Pennsylvania, Rhode Island, Tennessee, Texas, Virginia, Washington, Wisconsin (hereinafter collectively referred to as the “Attorneys General”).

6. The Defendants are Hyundai Motor Company, Inc., Hyundai Motor America, Inc., Kia Motors Corporation, Inc., and Kia Motors America Inc.

7. The Defendant, Hyundai Motor Company, is a multi-national corporation with its principal corporate headquarters in Seoul, South Korea.

8. The Defendant, Hyundai Motor Company, manufactures, offers and sells Hyundai vehicles in the United States through its wholly-owned subsidiary, Hyundai Motor America.

9. The Defendant, Hyundai Motor America, is a California corporation with a principal place of business in Fountain Valley, California.

10. The Defendant, Kia Motors Corporation, Inc., is a multi-national corporation with its principal corporate headquarters in Seoul, South Korea.

11. The Defendant, Kia Motors Corporation, Inc., manufactures, offers and sells Kia vehicles in the United States through its wholly-owned subsidiary, Kia Motors America, Inc.

12. Defendant, Kia Motors America, Inc. is a California corporation with a principal place of business in Irvine, California.

FACTUAL ALLEGATIONS

13. The Defendants have manufactured, assembled, advertised, marketed, promoted, sold, and distributed millions of vehicles in the United States in general, and the State of Iowa in particular. For the model years (“MY”) 2011 through 2013, the Defendants offered and sold certain light duty passenger vehicles identified in Exhibit A, attached hereto (the “Subject Vehicles”). The Subject Vehicles were offered and sold during a period of very high gasoline

prices in the United States, and the Defendants' marketing efforts touted, indeed trumpeted, the Subject Vehicles allegedly superior fuel economy.

14. Before they could be offered for sale in the United States, however, the Subject Vehicles had to be certified by the United States Environmental Protection Agency ("EPA") and the California Air Resources Board ("CARB") as being in compliance with applicable emissions limits set forth in state and federal law.

15. The Defendants, like all other auto manufacturers, conducted their own testing of the Subject Vehicles and used the resulting data to support their applications for certificates of conformity.

16. In filing their applications, the Defendants expressly and impliedly represented that their testing complied in all material respects with the procedures mandated by EPA and CARB.

17. In truth and in fact, however, the Defendants deviated from the mandated testing protocols in numerous respects, thereby producing data that underestimated the road load forces for the Subject Vehicles and overstated the fuel efficiency estimates for the Subject Vehicles.

18. The Defendants thereafter incorporated the inflated and inaccurate data into the estimated mileage ratings displayed on hundreds of thousands of Monroney (or window) stickers affixed to Subject Vehicles in dealerships across the nation.

19. The Defendants further sought to capitalize on the erroneous mileage estimates by placing them front and center in a variety of advertisements and other promotional campaigns, including, but not limited to:

- a. Representing, without limitation or qualification, that the Hyundai Elantra could travel roundtrip between Los Angeles and Las Vegas “WITHOUT STOPPING FOR GAS”. (Emphasis in the original). See Exhibit B hereto;
- b. Representing, without limitation or qualification, that the 2011 Hyundai Elantra could travel from Buffalo to Niagara Falls and back, a distance of 40 miles, on a single gallon of fuel. See Exhibit C hereto;
- c. Representing, without limitation or qualification, that five different Hyundai models were rated at 40 mpg. See Exhibit D hereto; and
- d. Utilizing the estimated mileage ratings for the Kia Sorrento EX in advertisements for the Kia Sorrento SX, a different model with a lower fuel economy rating.

20. On November 12, 2012, the Defendants announced that they were adjusting and restating the fuel economy ratings for all of the Subject Vehicles. The Defendants took this action after an investigation by EPA and CARB uncovered the Defendants' deviations from the mandated testing protocols, which deviations resulted in the mileage overstatements.

21. By engaging in the aforesaid acts, practices, representations and omissions, the Defendants made deceptive or misleading statements to government agencies and to consumers regarding the features, performance and characteristics of the Subject Vehicles, including but not limited to:

- a. Misrepresenting, falsely certifying or falsely warranting the Subject Vehicles' compliance with applicable certification or other regulatory requirements;
- b. Failing to state material facts in connection with their sale and marketing of the Subject Vehicles, the omission of which deceived or tended to deceive consumers; and

- c. Misrepresenting or deceptively advertising, promoting and warranting the Subject Vehicles' fuel economy and performance.

22. The Defendants' misrepresentations to regulators enabled them to secure the requisite legal authorizations to sell the Subject Vehicles in the United States, and more particularly in Iowa.

23. The Defendants' acts and practices, as described herein, were likely to mislead consumers acting reasonably under the circumstances.

24. The Defendants' acts or practices, as described here, were material to consumers' decisions to purchase the Subject Vehicles during a time of high gasoline prices.

25. By engaging in the aforementioned acts and practices, the Defendants violated the public policy against making misrepresentations or nondisclosures, and against violating the duties of good faith and fair dealing.

26. The Defendants' acts or practices, as described herein, caused substantial injury to consumers in that consumers purchased Subject Vehicles that were improperly certified for sale, and which were offered for sale using inaccurate and deceptive mileage ratings.

27. This Petition for injunctive relief has not been presented to, or denied by, any other judge of the district court.

28. Pursuant to Iowa R. Civ. P. 1.207, no security is required of the State.

CAUSES OF ACTION

29. Paragraphs 1 through 28 are incorporated herein by reference.

30. Subsection "2," paragraph "a" of the Iowa Consumer Fraud Act provides in pertinent part:

The act use or employment by a person of an unfair practice, deception, fraud, false pretense, false promise, or misrepresentation, or the

concealment, suppression or omission of a material fact with intent that others rely upon the concealment, suppression, or omission, in connection with the lease, sale, or advertisement of any merchandise ... whether or not a person has in fact been misled, deceived, or damaged is an unlawful practice.

31. Iowa Code § 714.16(1) provides the following definitions:

(f) “Deception” means an act or practice which has the tendency or capacity to mislead a substantial number of consumers as to a material fact or facts.

(n) “Unfair practice” means an act or practice which causes substantial, unavoidable injury to consumers that is not outweighed by any consumer or competitive benefits which the practice produces.

32. Iowa Code § 714.16(7) provides that except in the case of a material omission, it is not necessary for the Attorney General to prove reliance, damages, intent, or knowledge, stating in pertinent part:

Except in an action for the concealment, suppression, or omission of a material fact with intent that others rely upon it, it is not necessary in an action for reimbursement or an injunction, to allege or to prove reliance, damages, intent to deceive, or that the person who engaged in an unlawful act had knowledge of the falsity of the claim or ignorance of the truth.

CONSUMER FRAUD ACT VIOLATIONS

33. Defendants’ business transactions in Iowa are in connection with the lease, sale, or advertisement of merchandise.

COUNT ONE – DECEPTION

34. Defendants violated Iowa Code § 714.16(2)(a) by engaging in deception in connection with its sale and advertisement of automobiles, as set forth in paragraphs 13-26.

COUNT TWO – MISREPRESENTATION

35. Defendants violated Iowa Code § 714.16(2)(a) by engaging in misrepresentation in connection with its sale and advertisement of automobiles, as set forth in paragraphs 13-26.

COUNT THREE –UNFAIR PRACTICES

36. Defendants violated Iowa Code § 714.16(2)(a) by engaging in unfair practices in connection with its sale and advertisement of automobiles as set forth in paragraphs 13-26.

REQUEST FOR RELIEF

WHEREFORE, the Plaintiff claims the following relief:

1. That the Court, pursuant to Iowa Code § 714.16(7), enjoin the Defendants from further violation of the Iowa Consumer Fraud Act as alleged herein.
2. That the Court, pursuant to Iowa Code § 714.16(7), enter judgment against the Defendants for amounts necessary to restore to all affected persons all money acquired by means of acts or practices that violate the Consumer Fraud Act.
3. That the Court, pursuant to Iowa Code § 714.16(7), enter judgment against the Defendants for amounts necessary to restore to all affected persons all money acquired by means of acts or practices that violate the Consumer Fraud Act.
4. That the Court, pursuant to Iowa Code § 714.16(7), enter judgment against the Defendants for such additional funds as are necessary to ensure complete disgorgement of all ill-gotten gain traceable to the unlawful practices alleged herein.
5. That the Court award the State interest as permitted by law.
6. That the Court, pursuant to Iowa Code § 714.16(11), enter judgment against the Defendants for mandatory attorney fees, state's costs and court costs.
7. That the Court grant such additional relief as the Court deems just and equitable.

Respectfully submitted,

THOMAS J. MILLER
Attorney General of Iowa

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ATTORNEY FOR THE STATE

EXHIBIT A

HYUNDAI VEHICLES**2013 Model Year**

2013 Accent (automatic transmission; 1.6 liter engine)
2013 Accent (manual transmission; 1.6 liter engine)
2013 Azera (automatic transmission; 3.3 liter engine)
2013 Elantra (automatic transmission; 1.8 liter engine)
2013 Elantra (manual transmission; 1.8 liter engine)
2013 Elantra Coupe (automatic transmission; 1.8 liter engine)
2013 Elantra Coupe (manual transmission; 1.8 liter engine)
2013 Elantra GT (automatic transmission; 1.8 liter engine)
2013 Elantra GT (manual transmission; 1.8 liter engine)
2013 Genesis (automatic transmission; 3.8 liter engine)
2013 Genesis R-Spec (automatic transmission; 5.0 liter engine)
2013 Santa Fe Sport 2WD Turbo (automatic transmission; 2.0 liter engine)
2013 Santa Fe Sport 2WD (automatic transmission; 2.4 liter engine)
2013 Santa Fe Sport 4WD Turbo (automatic transmission; 2.0 liter engine)
2013 Santa Fe Sport 4WD (automatic transmission; 2.4 liter engine)
2013 Tucson 2WD (automatic transmission; 2.0 liter engine)
2013 Tucson 2WD (automatic transmission; 2.4 liter engine)
2013 Tucson 2WD (manual transmission; 2.0 liter engine)
2013 Tucson 4WD (automatic transmission; 2.4 liter engine)
2013 Veloster Turbo (automatic transmission; 1.6 liter engine)
2013 Veloster (automatic transmission; 1.6 liter engine)
2013 Veloster (manual transmission; 1.6 liter engine)

KIA VEHICLES**2013 Model Year**

2013 Rio 2WD (automatic transmission; 1.6 liter engine)
2013 Rio 2WD (manual transmission; 1.6 liter engine)
2013 Rio 2WD (automatic (Eco) transmission; 1.6 liter engine)
2013 Sorento 2WD (automatic transmission; 2.4 liter engine (GDI))
2013 Sorento 4WD (automatic transmission; 2.4 liter engine (GDI))
2013 Soul 2WD (automatic transmission; 1.6 liter engine)
2013 Soul 2WD (manual transmission; 1.6 liter engine)
2013 Soul 2WD (automatic transmission; 2.0 liter engine)
2013 Soul 2WD (manual transmission; 2.0 liter engine)
2013 Soul ECO 2WD (automatic transmission; 1.6 liter engine)
2013 Soul ECO 2WD (automatic transmission; 2.0 liter engine)
2013 Sportage 2WD (automatic transmission; 2.0 liter engine)
2013 Sportage 2WD (automatic transmission; 2.4 liter engine)
2013 Sportage 2WD (manual transmission; 2.4 liter engine)
2013 Sportage 4WD (automatic transmission; 2.0 liter engine)
2013 Sportage 4WD (automatic transmission; 2.4 liter engine)
2013 Sportage 4WD (manual transmission; 2.4 liter engine)

2012 Model Year

2012 Rio 2WD (automatic transmission; 1.6 liter engine)
2012 Rio 2WD (manual transmission; 1.6 liter engine)
2012 Sorento 2WD (automatic transmission; 2.4 liter engine (GDI))
2012 Sorento 4WD (automatic transmission; 2.4 liter engine (GDI))

2013 Veloster Turbo
(manual transmission; 1.6 liter engine)

2012 Model Year

2012 Accent (automatic transmission; 1.6 liter engine)
2012 Accent (manual transmission; 1.6 liter engine)
2012 Azera (automatic transmission; 3.3 liter engine)
2012 Elantra (automatic transmission; 1.8 liter engine)
2012 Elantra (manual transmission; 1.8 liter engine)
2012 Genesis (automatic transmission; 3.8 liter engine)
2012 Genesis (automatic transmission; 4.6 liter engine)
2012 Genesis (automatic transmission; 5.0 liter engine)
2012 Genesis R-Spec (automatic transmission; 5.0 liter engine)
2012 Sonata Hybrid Electric Vehicle (automatic transmission; 2.4 liter engine)
2012 Tucson 2WD (automatic transmission; 2.0 liter engine)
2012 Tucson 2WD (automatic transmission; 2.4 liter engine)
2012 Tucson 2WD (manual transmission; 2.0 liter engine)
2012 Tucson 4WD (automatic transmission; 2.4 liter engine)
2012 Veloster (automatic transmission; 1.6 liter engine)
2012 Veloster (manual transmission; 1.6 liter engine)

2011 Model Year

2011 Elantra (automatic transmission; 1.8 liter engine)
2011 Elantra (manual transmission; 1.8 liter engine)
2011 Sonata Hybrid Electric Vehicle (automatic transmission; 2.4 liter engine)

2012 Soul 2WD (automatic transmission; 1.6 liter engine)
2012 Soul 2WD (manual transmission; 1.6 liter engine)
2012 Soul 2WD (automatic transmission; 2.0 liter engine)
2012 Soul 2WD (manual transmission; 2.0 liter engine)
2012 Soul ECO 2WD (automatic transmission; 1.6 liter engine)
2012 Soul ECO 2WD (automatic transmission; 2.0 liter engine)
2012 Sportage 2WD (automatic transmission; 2.0 liter engine)
2012 Sportage 2WD (automatic transmission; 2.4 liter engine)
2012 Sportage 2WD (manual transmission; 2.4 liter engine)
2012 Sportage 4WD (automatic transmission; 2.0 liter engine)
2012 Sportage 4WD (automatic transmission; 2.4 liter engine)
2012 Sportage 4WD (manual transmission; 2.4 liter engine)
2012 Optima HYBRID ELECTRIC VEHICLE 2WD (automatic transmission; 2.4 liter engine)

2011 Model Year

[illegible]

7007.9135



DO THE HYUNDAI

STEP 1 Grab Your Gas Receipt and See the Savings
STEP 2 Raise Your Hands in the Air
STEP 3 Cross Them to Complete the "H"
STEP 4 Celebrate. Smile. Repeat.

ELANTRA **40 MPG HWY**

HYUNDAI

Drive from Las Vegas to L.A. and Back WITHOUT STOPPING FOR GAS

2012 EPA Fuel Economy Guide. 2012 Elantra 29 MPG City/41 MPG Highway. Distance from Las Vegas to L.A. back to Las Vegas is 512 miles according to Google Maps. Elantra gets a maximum of 512 miles on a single tank of gas. EPA estimates for comparison only. Your actual mileage may vary with options, driving conditions, driving habits and vehicle condition. www.fueleconomy.gov. Based on package of warranty programs. See dealer for LIMITED WARRANTY details. Hyundai is a registered trademark of Hyundai Motor Company. All rights reserved. ©2012 Hyundai Motor America

America's Best Warranty
10-Year/100,000-Mile
Powertrain Limited Warranty

HYUNDAI
Assurance

HMA0026271

EXHIBIT B

The falls and back on a gallon.

BuffaloHyundaiDealers.com

2011 Elantra, 40 MPG standard.

HYUNDAI

INNOCEAN WORLDWIDE			
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Placed Images 120x120_Floor_RGB_5.psd (RGB: 173 ppi: 86.48%), MY11_MD_LTD_0057_v2.psd (CMYK: 752 ppi: 39.88%), Hyundai Logo_wht.ai (81.51%)		Creative Director: Ed Miller Associate CD: Tyson Brown Art Director: Tracy Stephens Copywriter: Molly McLaughlin Proofreader: Chris Richards Account Executive: Julie Guerrini Product: Taj Tashombe Print Production: Patricia Marquez Traffic: Suzanne Cheng Client: HDAA Studio: Vanessa Volonte	
Fonts Used Helvetica Neue (65 Medium, 57 Condensed)			

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FILE IS BUILT AT 1/4 in = 1 ft, PRINT-OUT IS AT None, THIS PRINT-OUT IS NOT FOR COLOR.



graphicindustries

phone 949 231 1452

JOB #	16327-2	Innocean	East Hyundai Elantra 10x30	LS: 175	Rnd: 1.0
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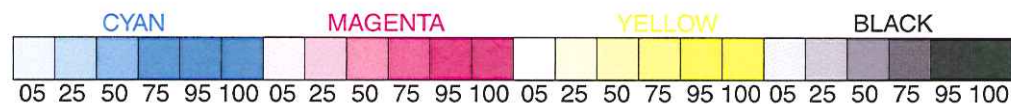



EXHIBIT C

HMA0027920

**40 NEVER
LOOKED
SO GOOD
5 MODELS.
40MPG.**

7006.8880




VELOSTER

- Standard 7" Touch Screen
- Blue Link®
- Up to 528 Miles on a single tank of gas




ACCENT 5-DOOR

- 5 Door versatility
- Best in Class Cargo Space
- Up to 456 Miles on a single tank of gas




ACCENT 4-DOOR

- Hands Free Bluetooth
- Best in Class Horsepower
- Up to 456 Miles on a single tank of gas



ELANTRA

- 1.8L 4 Cylinder CVT Engine
- More interior space than Civic or Corolla
- Up to 512 Miles on a single tank of gas




SONATA HYBRID

- 5 Star Safety Rated
- Solar Controlled glass
- Up to 688 miles on a single tank of gas

America's Best Warranty®
10-Year/100,000-Mile
Powertrain Limited Warranty
See dealer for details

HYUNDAI
Assurance

 **HYUNDAI**

FIND YOUR CLOSEST DEALER ONLINE AT
PacificNWHyundai.com

EXHIBIT D

HMA0000179